

C A L I F O R N I A

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California Department of Food and Agriculture
A.G. Kawamura, Secretary

California Alfalfa Hay Situation and Outlook

Seth Hoyt, National Agricultural Statistics Service, California Field Office

A Look Back

I stated in my talk at the National Alfalfa Symposium last December that the “perfect storm” of factors combined to create record high milk prices in California in 2004. In 2005, the “perfect storm” of factors shifted to the alfalfa hay industry to create record high hay prices. The alfalfa hay market was running around \$25.00 to \$30.00 per ton higher than 2004, which was considered to be a good market year. According to Market News, Supreme alfalfa hay delivered to dairies in the Tualre area in the January through October 2005 period averaged \$200.84 per ton with Fair quality averaging \$143.54 during the same period. Low hay inventories, including light supplies at dairies, lower alfalfa hay acreage and production, and continued growth in dairy cow numbers all combined to create a year that alfalfa hay growers will not soon forget.

The wet 2004 fall weather not only curtailed alfalfa hay planting but reduced the production of milk cow quality hay in September and October. This was a major reason for the lower alfalfa hay acres in 2005 but also a factor in lower carryover supplies. With the rain delayed start of the 2005 hay season combined with very hot July weather and army worm infestations in some areas, yields were disappointing through September. Open fall weather and cuttings stretching into late October may bring this up a little. If you were a grower who normally puts hay in barns for winter customers, you probably followed that pattern. If you had barns but didn't have regular winter customers, your barns may be empty or only partially filled. With record high prices on alfalfa and other hay there was no incentive to put hay in barns.

The record high alfalfa hay prices couldn't have come at a more opportune time for alfalfa hay growers. Higher input costs, including sharply higher fuel and fertilizer prices pushed hay breakeven prices higher. Trucking became a nightmare for some growers with fewer trucks available to haul hay the second half of the season, particularly after the spike in fuel prices after Hurricane Katrina. Hopefully this situation will improve if fuel prices continue to subside. If not, it is something the hay industry will need to address.

(Continued on page 3)



California Dairy Producer News

Production, Prices, Quota Transfers, Alfalfa

November Milk Production

Milk production in California for November 2005 totaled 3.05 billion pounds, up 3.2 percent from November 2004. USDA's estimate for U.S. milk production for November 2005 in the 23 major dairy states is 13.0 billion pounds, up 4.6 percent from November 2004. Production per cow in the 23 major states averaged 1,590 pounds for October, 59 pounds more than November 2004. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	November	December	January
1	\$15.66	\$15.13	\$14.63
2	\$14.06	\$13.82	\$13.82
3	\$13.90	\$13.55	\$13.55
4a	\$12.51	N/A	N/A
4b	\$12.69	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Nov	Dec	Jan
Phoenix, Arizona	\$16.91	\$15.92	\$15.92
Southern California	\$15.79	\$15.26	\$14.76
Portland, Oregon	\$16.46	\$15.47	N/A
Northern California	\$15.52	\$14.99	\$14.49
Boston (Northeast)	\$17.81	\$16.82	N/A

Quota Transfer Summary

For November 2005, five dairy producers transferred 1,860 pounds of SNF quota. November quota sales averaged \$484 per pound of SNF (without cows), average ratio of 2.55. For December 2005, eight dairy producers transferred 5,305 pounds of SNF quota. December quota sales averaged \$490 per pound of SNF (without cows), average ratio of 2.32. ☀

Alfalfa Update: December

Northern California: Supreme and Premium alfalfa was steady, with good demand and light supplies. Fair and Good alfalfa was steady with moderate demand and light to moderate supplies. Retail and Stable hay was steady with moderate supplies with most to come out of barns. Weather has been uncertain with intermountain areas very cold in the early part of the month.

Southern California: Premium alfalfa was steady, but Supreme alfalfa was not tested - there is good demand but supplies very light or not available. Good alfalfa was steady with moderate supplies and demand, Fair alfalfa not tested. Retail and stable hay was steady with light to moderate demand. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	11/23	12/2	12/9	12/16
Petaluma	N/A	\$205	N/A	N/A
North Valley ¹	\$215-216	N/A	\$190-215	\$190-195
South Valley ²	\$195-215	\$220	\$205-215	\$200-210
Chino Valley	N/A	N/A	N/A	N/A

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

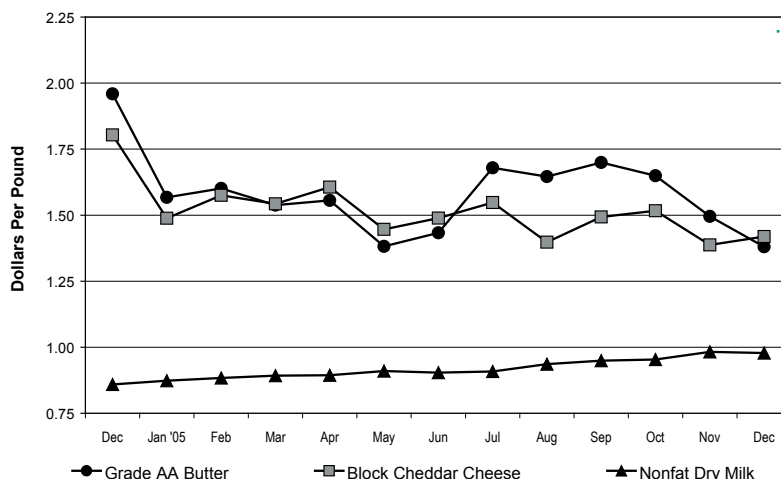
	November	December
Tons Sold ¹	101,088	35,397
Tons Delivered ²	47,432	15,195

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



Dairy Industry and Feed Grain Status in 2005

In spite of higher input costs, including an upward spike in fuel prices, California dairies continued to be profitable this year. Overbase milk prices in California ranged from \$12.85 to \$13.80 the first ten months of 2005 and this combined with higher milk production made for another positive year in the dairy industry. Milk production in California in 2005 would have been even better had it not been for tight supplies of higher testing alfalfa hay. Many dairies that normally feed 56 TDN or better alfalfa hay to milk cows were forced to feed 53 to 55 TDN hay. This had to have an impact on milk production. The July heat didn't help either but even in months when it was not as hot, milk production in California lagged behind some other States. For example, in the June through October 2005 period, milk production per cow in Idaho averaged 90 pounds more per month than in 2004. In California during the same period, milk per cow averaged 21 more pounds per month. What are they feeding those cows in Idaho? - probably more higher-testing alfalfa hay, although I'm sure weather played a part as well.

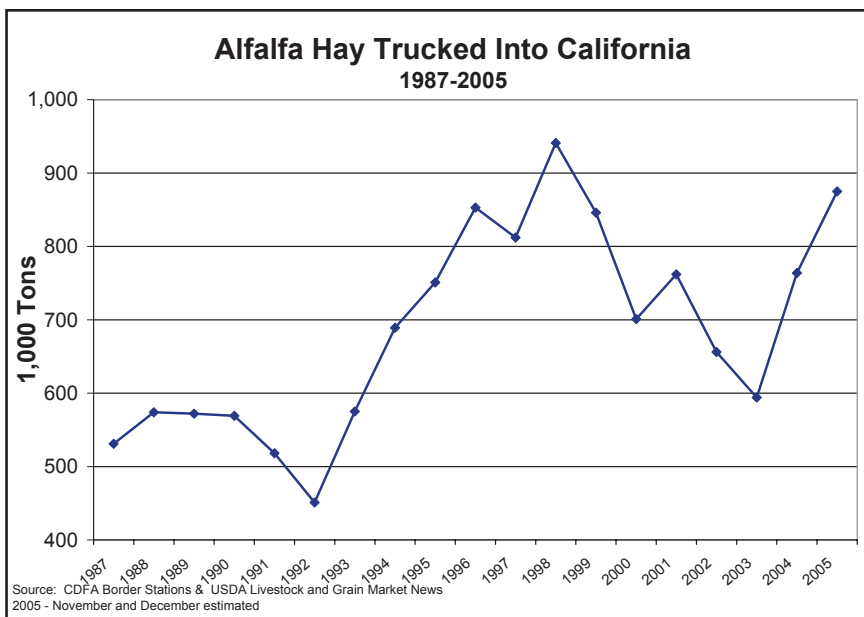
While alfalfa hay prices surged higher in 2005, feed grain prices moved lower through the summer and fall as the 2005 U.S. corn harvest came in just under last year's record high. This, combined with a large U.S. carryover of corn made the outlook for feed grain prices favorable for dairy producers for at least the first half of 2006. It was no surprise that the amount of concentrate (grain) fed to California dairy cows through August 2005 increased to 29.6 pounds per cow, compared to 28.7 in 2004, according to the CDFA Dairy Marketing Branch.

Dairy cow numbers continued to grow in California in 2005 but at a slower rate than a few years ago. When I spoke at the Alfalfa Symposium in 2001 we were growing at a rate of 5,000 dairy cows per month in California. In 2005, the month-to-month growth averaged 2,500 head. It is interesting that month-to-month cow growth in Idaho is currently running ahead of California at 3,000 to 3,200 per month. The reasons for the slower growth in dairy cow numbers in California are varied but some of the factors included tight supplies and high prices of replacement heifers. In the first ten months of the year the number of heifers shipped into California from out of state dropped 14 percent. Milk cow prices were also very strong in 2005. Additionally, the dairy cow slaughter was running 9 percent ahead of 2004 as cull rates returned to more normal levels. As you recall, in 2004 cull rates had dropped to levels well below normal. The CWT program took another 17,000 California cows

out of production in the fall of 2005 with a large number shipping to slaughter in November. The weekly dairy cow slaughter in California in November was running 20 percent ahead of November 2004. Another factor for slower cow growth is that it has become increasingly more difficult to build new dairies in California due to environmental regulations, zoning, and other challenges. Dairy producers must also jump through more hoops even to expand existing operations.

Hay Imports

As a result of reduced alfalfa hay supplies in 2005 and with dairy producers striving to increase milk production, demand improved for alfalfa hay from other states, particularly Utah. Alfalfa hay trucked into California the first ten months of the year was up 21 percent from the same period in 2004. Shipments of alfalfa hay from Utah in the same period were up 77 percent due to very competitive fob prices. The projected alfalfa hay shipments into California from other States in 2005 could reach 870,000 to 880,000 tons, second only to the record 941,000 ton shipments in 1998. One has to wonder how much alfalfa hay is left in Utah for late fall and winter shipments to California?



Domestic Horse and Export Markets

Demand for alfalfa and alfalfa grass mixtures was strong for the California horse market. Per-bale costs for alfalfa and other hay at feed stores were up substantially. The cost to feed my old retired roping horse alfalfa meal has jumped to \$8.99 for a 50-pound sack. One grower in the northern mountain area said the orchard grass or orchard grass/alfalfa mix market was very strong this year. As I have mentioned previously, the exports of alfalfa hay are such a small part of alfalfa hay production in California, it is not much of a factor in the overall market.

Alfalfa Hay - Continued from Page 3

Outlook for 2006

Alfalfa Hay Acres

The big question is: how many acres of alfalfa hay will there be in California in 2006? Seed industry representatives and industry sources I've talked to are predicting between 5-to-10 percent more acres than in 2005. None of my alfalfa industry sources think we will see a repeat of the 15 percent jump in acres we saw in 2002. Why? Permanent crops have displaced alfalfa hay acres the past three years, almonds being the bigger one in some areas. Think about the difference in water costs alone growing almonds with drip irrigation vs. irrigating alfalfa. Almonds continue to be the success story in California agriculture, higher production (except this year) and higher markets thanks to strong export demand. Another reason why alfalfa hay acres may not surge to levels of 2002 is the number of old alfalfa stands that were not taken out in 2005 because of record high hay prices. These older fields will be rotated out in 2006. Another development since 2002 is the water deal between the Palo Verde Irrigation District and the Metropolitan Water District. Alfalfa hay acres in the Palo Verde Valley on December 1, 2005 were 40,633, down 9,000 acres from 2004. This offsets the 9,000 more acres of alfalfa hay in the Imperial Valley in December 2005 compared to the previous year, according to the Imperial Irrigation District.

Having said all that, sources indicated that alfalfa hay planting was heavy in some areas of the central and northern valleys. With another substantial drop in upland cotton acres predicted in 2006, some cotton ground will be planted to alfalfa hay in the central valley. It has also been reported that some dairies have increased their acres of alfalfa but it is not clear if this will be for hay or green chop. Another area to watch is the Sacramento Valley. Processed tomato growers are not coming to terms with processors on contracts for 2006. Sources indicate that in the coming weeks, growers could plant alfalfa hay if there is an impasse.

Alfalfa Hay Market and Milk Prices

Even if alfalfa hay acres were up 10 percent in 2006, the market on early cuttings could still be strong. Why? The pipeline is very low. Sources believe that hay carryover will be down, in spite of higher imports from other states. The barn hay market this winter will probably be very bullish. Many dairies will be in need of hay by late winter and early spring 2006, particularly high-test milk cow alfalfa hay. The demand for higher test alfalfa hay has grown as dairy producers strive to increase milk production. Additionally, dairy cow numbers in California are up 100,000 head the past three years. Alfalfa hay growers should find strong demand on early cuttings in 2006.

Depending on planting and production, the alfalfa hay market could move lower by late spring and summer. Some believe the overall alfalfa hay market in California in 2006 will be \$10.00 to \$20.00 per ton below 2005. I wouldn't argue with that. This would still be the second highest market on record. However, if acres come in above predictions, the market will be under increased downward pressure by summer. Conversely, if acres are lower than expected the year-to-year market change will be less severe.

Another thing to watch in 2006 are milk prices. Some are predicting a \$1.00-to-\$2.00/cwt. drop in milk prices next year. If dairy producer margins dip into the negative, demand patterns for alfalfa hay may change. The hay industry discovered from past experience that dairies will get pretty creative in cutting feed costs when they are losing money. One would not expect demand patterns to be altered to the extent we saw in 2003 with \$9.25 to \$9.50 milk. Consumer demand for dairy products has improved in recent years and this along with impacts from the CWT program have been positive for the dairy industry. When you consider the amount of milk produced in 2006 in the U.S., it is amazing that milk prices are as good as they are. But there are caution flags flying for 2006.

Conclusion

The alfalfa hay market in California may be strong early in the 2006 season and could ease by late spring and summer. The amount of decline by the summer of 2006 will depend on alfalfa acres and production the first half of the season, available supplies of alfalfa hay in surrounding states, and profitability in the dairy industry. ☀

Three Men Are Jailed On Suspicion of Stealing Calves


On October 25, 2005, Mario Enrique Figueroa, 20, Rogaciano Perez, 43, and Adrian Reyes Perez, 19, all of Turlock, were booked into Merced County Jail on suspicion of grand theft. One of the suspects reportedly admitted to stealing hundreds of calves in Merced County over the past two years. Figueroa and Adrian Perez remain in custody in lieu of \$150,000 bail each and Rogaciano Perez on \$100,000 bail.

Figueroa was arrested and interviewed after it was learned he had an outstanding warrant. During the interview, Figueroa reportedly admitted his part in the theft of calves from the Gustine dairy, and admitted being involved in the theft of more than 200 calves during the past two years. Figueroa reportedly said he had committed so many thefts he could not remember their exact locations. ☀

Hilmar Cheese Company Announces Expansion to Texas

Hilmar Cheese Company, the world's largest single-site producer of cheese and whey products, announced the decision to build a new cheese and whey protein processing plant in Dalhart, Texas. The facility will be the company's first processing plant outside of its Hilmar, California, facility and corporate headquarters. Hilmar Cheese Company was established in 1984 by 12 local dairy farm families. Privately owned, the company currently employs more than 600 local residents, making it one of Merced County's largest employers. Hilmar Cheese currently produces a variety of cheese including Cheddar, Monterey Jack, Pepper Jack, Colby, Colby Jack and Mozzarella. The whey is processed into Whey Protein Concentrate, used as an ingredient in many foods including nutritional beverages and bars; and Lactose marketed internationally as ingredient in confections.

"This decision took us some two years to make as we reviewed several options in a handful of states. But, in the end, our decision to expand our operations to Dalhart was based on several key factors including Texas' positive business climate, reliable regulatory environment, and an up-and-coming local dairy industry in Dalhart and the greater Amarillo area," said Hilmar Cheese Company CEO John Jeter. "Another critical factor was the incentives provide by the state of Texas, the City of Amarillo and the Dalhart community," explained Jeter. Jeter also noted that Hilmar Cheese Company, as a global marketer, must be able to meet the supply needs of its customers in the U.S. as well as internationally. "This new site will give us the additional capacity necessary to supply the growing needs of our cheese and whey protein customers and is a natural step for us to take in terms of getting closer, geographically, to our existing and new East Coast and Midwest customers," Jeter added.

With a population of 7,500, the Dalhart/Amarillo area also has critical existing infrastructure, including ground and rail transportation, which are essential to reach Hilmar Cheese Company's expanding markets. The new processing facility will be built in two phases, the first of which is expected to be completed in the Fall of 2007. Initially, the processing plant plans to employ approximately 120 people, the majority of whom will be hired locally. Once fully operational, the factory would produce 1 million pounds of cheese per day and employ more than 350 workers, David said. The factory's production would result in work for support businesses and create more than 1,500 jobs in the dairy industry, he said. 


CWT Awards Export Assistance for Cheese to South Korea and Japan

*Sale of More Than One-Half Million Pounds Will Be
First Mozzarella Product Exported*

Cooperatives Working Together has accepted a bid from Land O'Lakes of Arden Hills, MN, to export 270 metric tons (approximately 594,000 pounds) of mozzarella cheese to South Korea. CWT also accepted a bid from Dairy Farmers of America of Kansas City, MO, to export 20 metric tons (approximately 44,000 pounds) of Cheddar cheese to Japan. CWT will pay the export bonus to the bidder, once completion of the cheese shipment is verified.

These are the fourth and fifth export assistance bids accepted by CWT in the past month. It is also the first export of a cheese product other than cheddar since the inception of the Export Assistance program two years ago. These accepted bids increase CWT's total cheese exports since it began operations two years ago to 4,696 tons (or 10.3 million pounds).

Last month, CWT announced that it was changing certain export management parameters, including expanding the types of cheeses that can be sold, to make it more flexible. Previous shipments facilitated by CWT's export assistance program have gone to Algiers, Croatia, Egypt, Japan, Jordan, the Netherlands, Saudi Arabia and South Korea.

Through CWT's Export Assistance program, exports occur as overseas buyers are found for the products, and as CWT's members bid to be compensated for selling cheese and butter to those importers. 

USDA Amends Arizona-Las Vegas Milk Order

Producers of the Arizona-Las Vegas milk marketing order approved an amendment to the producer milk provision that now eliminates the ability to simultaneously pool the same milk on the Arizona-Las Vegas order and a state-operated milk order that has marketwide pooling.

The new rule becomes effective January 1, 2006. 

CWT Completes Audits in Third Herd Retirement Program


Most of 64,000 Cows Already Processed

Cooperatives Working Together (CWT), has completed processing 442 of the bids tentatively accepted from farmers seeking to retire their milking herds. Those retirements will remove 1.2 billion pounds of milk, or 0.7% of the nation's supply, by reducing the nation's dairy herd by more than 64,050 cows.

A total of 657 bids were submitted late in the summer as part of this most recent Herd Retirement program. The average bid price of the 442 accepted bids was \$6.75 per hundredweight, compared to \$5.24 last year. CWT's first Herd Retirement program was implemented in the fall of 2003, when 299 bids, representing 608 million pounds of milk, were accepted. This was followed by a second round of retirements in the fall of 2004, which retired 378 herds thereby removing 931 pounds of milk.

CWT auditors were sent to each of the farms whose bids were accepted. Once the information submitted by the farmers was verified, each of the cows was tagged with a special CWT identifier, and the farmers were given a brief amount of time to sell their cows for slaughter. It is expected that nearly all cows will have been processed by the end of the year. Under CWT's guidelines, safeguard thresholds have been established for five separate regions of the country, limiting the total milk withdrawals possible in each. The limits are strictest in the Northeast, Southeast and Midwest, and less strict in the Southwest and West. The totals for each region in 2005 include:

	Pounds of milk	# Farms	% Milk Reduction	#Cows	Average Bid
1 (Northeast)	93 million	43	8%	4,798	\$6.52
2 (Southeast)	63 million	53	5%	3,803	\$5.22
3 (Midwest)	210 million	183	18%	12,345	\$6.66
4 (Southwest)	292 million	82	25%	16,130	\$7.36
5 (West)	516 million	81	44%	26,993	\$7.52
TOTALS	1.2 billion	442	100%	64,069	\$6.75

CWT is being funded by dairy cooperatives and individual dairy farmers, who are contributing a 5 cents per hundredweight membership assessment on their milk production from July 2005 through December 2006. More than 74% of the nation's milk supply is contributing to the program. The money raised by CWT will be apportioned between the Herd Retirement program, and the Export Assistance program, which helps support the overseas sales of butter and cheese. 

Secretary Appoints Members to the Milk Producers Security Trust Fund Board

From nominations received, Secretary Kawamura has appointed four persons to serve on the Department's Milk Producers Security Trust Fund Board. Three of these appointments are for three-year terms of office that begin on January 1, 2006. The fourth is to fill an existing vacancy on the Board caused by the resignation of Joe Pimentel, Jr. of Tracy.

The three persons appointed to full three-year terms:


- Joe Heffington, California Dairies, Inc. – representing Cooperative Management
- Sharon Hale, Crystal Cream & Butter Company – Reappointed for a second term representing Processors
- Arlan Van Leeuwen, Fair View Farms, Chino – representing Producers

The interim appointment to serve the remaining term vacated by Mr. Pimentel:


- Fred Douma, Douma Dairy, Tracy – representing Producers

The Milk Producers Security Trust Fund Board consists of seven members of whom three represent producers, two represent cooperative management and two represent processors. The terms of office are staggered so that only a portion of the Board positions expire each year.

The Board of Directors oversees the administration of the Trust Fund which has a current balance of approximately \$42 million. The Trust Fund exists to protect dairy farmers from catastrophic financial losses that can occur when a milk handler defaults on payments owed for farm milk.

The Secretary and Department staff express their appreciation to the outgoing Directors: Richard Cotta, Bill Van Leeuwen and Joe Pimentel for their outstanding service provided during their tenure on the Board. 


Department Receives Petition for Hearing

On December 16, 2005, the Department received a petition submitted by the Alliance of Western Milk Producers and Western United Dairywomen. The petition suggests amendments to the Class 1 pricing formulas in Northern and Southern California. Pursuant to regulation, within fifteen days of the receipt of a petition, the Department must either schedule the matter for public hearing or deny the petition in writing. The Department will carefully weigh the merits of the petition submitted and respond no later than December 30, 2005, with a decision on whether or not to call a hearing on the matter raised in the petition. 

Upcoming Transportation Hearing Reminder

The Department has called a hearing to be held on January 31, 2006, at the CDFA Auditorium, 1220 N Street, Sacramento, beginning at 9:00 a.m. The hearing will consider the Dairy Institute proposal and alternative proposals submitted by the deadline, to amend the Pool Plan in effect on January 31, 2006 to amend transportation allowances for milk moving into the Bay Area receiving area, the Southern California receiving area, and the San Diego receiving area; and to amend the Stabilization Plans in effect on January 31, 2006 to amend transportation credits for milk moving into Southern California Class 1 plants. In addition, the hearing will consider proposals to amend the Pooling Plan and the Stabilization Plans in effect on January 31, 2006, that provide incentives to move milk to higher usages, including provisions for transportation allowances, transportation credits, and the milk movement requirements.

To assist interested persons in preparing for these hearings, a public workshop will be held in Sacramento on January 11, 2006. The workshop will be held at the CDFA Auditorium, Sacramento, beginning at 9:00 a.m. At this workshop, interested persons can review and discuss all proposals submitted with Department staff and other interested parties. The Department will supply background and analysis of alternative proposals. Discussion during the workshop will not be part of the official hearing record. The Department's entire hearing exhibit for these hearings will be available for public inspection at the Sacramento office of the Dairy Marketing Branch on January 18, 2006.

If any interested party has questions regarding the call of these hearings or needs assistance in developing language for a proposal, please contact Tom Gossard at (916) 341-5988. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2004, USDA estimates that overall milk production across the U.S. was up 4.4% in November, led by Idaho's 12.3% growth in milk production (on 35,000 more cows and 60 more pounds per cow). California's estimated production was up 3.1% (on 30,000 more cows and 25 more pounds per cow). Among the western states, Arizona was stayed the same; New Mexico up 12.2%; and Washington up 3.5%. None of the top 10 states reported a production decrease.

Quarterly: For the third quarter of 2005 compared to the second quarter of 2005, U.S. milk cow numbers were up 2.2% at 9.054 million, production per cow was down 3.9%; the net effect was a 3.7% decrease in milk production to 44.0 billion pounds. USDA projects that for the fourth quarter of 2005 compared to the third quarter of 2005, U.S. milk cow numbers will increase 10,000 cows to 9.065 million cows, production per cow will be down slightly; the net effect would be a slight decrease in milk production to 43.8 billion pounds.

Milk Prices

Comparing the third quarter of 2005 to the second quarter of 2005, U.S. average milk prices were up \$0.07/cwt. to \$14.90/cwt. USDA projects that for the fourth quarter of 2005, U.S. average all-milk prices will be \$15.05-15.25/cwt.; Class 4b prices will be \$13.55-13.75/cwt; and Class 4a prices will be \$12.85-13.15/cwt.

Utility Cow Prices


Comparing the third quarter of 2005 to the second quarter of 2005, average U.S. utility cow prices were down \$3.50/cwt. to a national average of \$55.34/cwt. USDA projects that utility cow prices will average \$49-50 in the fourth quarter of 2005.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

2006 Assessment Rates Established for the CMAB and the CMMAB


The Department recently approved the 2006 assessment rates applicable to the California Milk Advisory Board (CMAB) and the California Manufacturing Milk Advisory Board (CMMAB). These two producer-funded programs conduct dairy promotion and research activities on behalf of California's dairy farmers.

The 2006 CMAB assessment rate for market milk and the 2006 CMMAB assessment rate for manufacturing milk have both been set at ten cents (**\$0.10**) per hundredweight. These rates are unchanged from the 2005 rates.

As in the past, these assessments will be collected from the first handlers who purchase or otherwise acquire possession of milk from producers. Each handler shall in turn deduct such assessments from payment owed to their producers. These assessments are authorized separate and apart from the fifteen-cent (\$0.15) assessment of the National Dairy Promotion and Research Board (NDPRB), but qualify California milk producers for a credit toward the NDPRB assessment. Please call the CDFA Marketing Branch at (916) 341-6005 if you have any questions about these assessments. 

Yearly Analysis for Additional Quota Allocation

Annually, the Department of Food and Agriculture must determine if there has been an increase in the Class 1 and Class 2 solids-not-fat usage during the most recent September through August time period. In making this determination, the current time period is compared to the previous highest year since 1988-89. Any increase in such usage is allocated to producers as pool quota. New quota allocations are issued in January of the following year.

A comparison of Class 1 and Class 2 sales for the period of September 2004 through August 2005, with comparable sales for September 1990 through August 1991 (the highest previous year) reveals that there was a decrease in Class 1 and Class 2 usage. Therefore, the Department is announcing that there will be no new quota allocated on January 1, 2006. If you have any questions, please contact Donald Shippelhouse or John Lee at (916) 341-5901. 


Reopening of Japanese Market for U.S. Beef

Secretary A.G. Kawamura and the California cattle industry are applauding the announcements made by U.S. and Japanese officials regarding the removal of a two-year ban prohibiting the importation of U.S. beef into Japan.

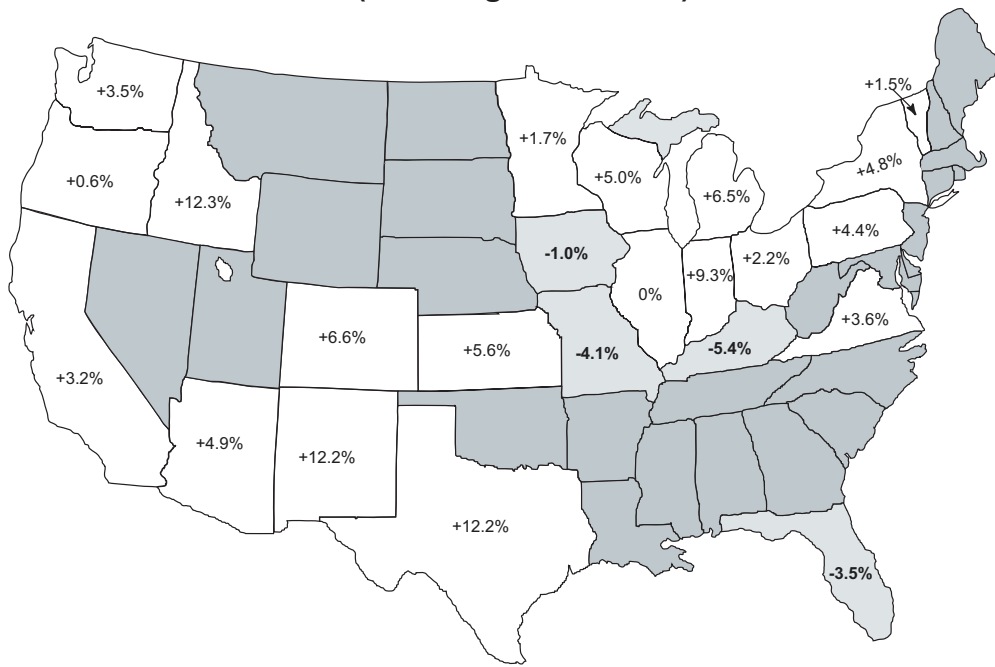
"This is an exciting development for California," said Secretary Kawamura. "Japan is a major market for California beef and this decision may encourage other markets to follow Japan's example. Japanese consumers have always appreciated the high quality and safety of U.S. beef, and I'm confident they will return to buying California beef."

Japan, along with several other nations, banned the importation of American beef with the discovery of a single case of Bovine Spongiform Encephalopathy (BSE) in the United States in December 2003. Prior to the ban, Japan was California's largest international market for beef, representing an estimated 40 percent of total beef exports, an \$85 million dollar market. California beef producers look forward to the opportunity to re-establish that relationship.

"California produces the safest, highest quality beef in the world," said California Cattlemen's Association Executive Vice-President Ben Higgins. "We are pleased to be re-entering the Japanese market and recognize that we are in an advantageous position-due to location and supply-to reclaim our previous market share."

The California Department of Food and Agriculture is actively involved in United States BSE surveillance efforts and works to protect the health of all domestic animals from contagious and infectious disease. Since increased BSE surveillance began in 2004, nearly 550,000 samples for lab testing have been collected from U.S. cattle. Of those, approximately 65-thousand came from California. 

November Milk Production in the Top 23 States (% Change from 2004)



For the U.S. overall, comparing November 2005 to November 2004:

- Milk production during November was up 4.4%
- The number of cows on farms was 9.061 million head, up 40,000 head
- Production per cow averaged 1,567 pounds, 60 pounds more than November 2004
- Eighteen of the top twenty-three milk producing states showed an increase in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California^{1/} By Month, January 2004-December 2005

Month	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
<i>Dollars per Hundredweight</i>										
January	15.45	15.33	13.82	13.37	12.19	13.14	12.82	13.82	12.98	13.36
February	15.81	15.55	13.61	13.72	12.47	13.50	12.96	13.93	13.06	13.69
March	14.37	14.86	13.16	12.99	12.24	12.70	13.08	13.16	12.77	12.92
April	13.77	14.68	13.27	13.16	12.50	13.03	13.07	12.95	12.91	13.12
May	13.44	13.96	13.23	13.02	12.76	12.99	13.35	12.93	13.04	13.02
June	13.70	14.04	13.45	13.41	13.09	13.02	13.63	13.21	13.32	13.22
July	13.66	14.03	13.03	13.73	12.83	13.40	13.41	13.30	13.01	13.53
August	14.16	14.51	13.00	13.69	12.82	13.46	13.48	13.39	13.03	13.57
September	14.33		13.44		13.11		13.56		13.34	
October	14.22		13.43		13.08		13.38		13.29	
November	15.25		13.91		13.43		14.17		13.77	
December	15.17		13.71		13.26		13.96		13.59	

^{1/} Cost Comparison Summary data includes an allowance for management and a return on investment.

Hundredweight Pool Prices

Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

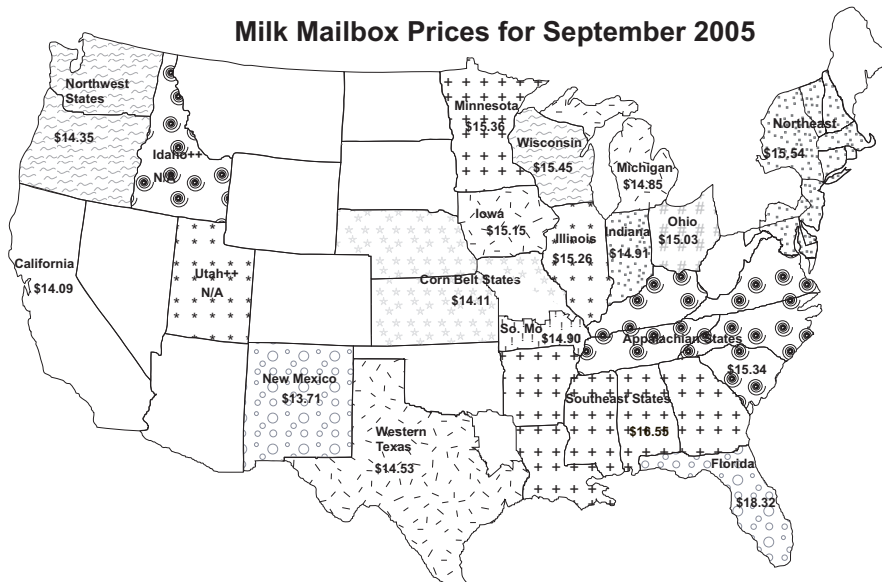
Month	Quota	Overbase
May '04	\$18.69	\$16.99
June	\$17.46	\$15.76
July	\$15.03	\$13.33
August	\$14.74	\$13.04
September	\$15.21	\$13.51
October	\$14.81	\$13.11
November	\$15.74	\$14.04
December	\$15.74	\$14.04
January '05	\$15.50	\$13.80
February	\$14.96	\$13.26
March	\$14.98	\$13.28
April	\$15.06	\$13.36
May	\$14.60	\$12.90
June	\$14.56	\$12.86
July	\$14.99	\$13.29
August	\$14.65	\$12.95
September	\$15.26	\$13.56
October	\$15.07	\$13.37
November	\$14.35	\$12.65

	March	April	May	June	July	August	September
California ¹	\$13.99	\$14.11	\$13.48	\$13.43	\$13.53	\$13.23	\$14.09
USDA ²	\$15.46	\$14.97	\$14.48	\$14.13	\$14.62	\$14.65	\$15.16

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.

Milk Mailbox Prices for September 2005



In September 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$15.16 per cwt., \$0.51 more than the figure for the previous month. The component tests of producer milk in September 2005 were: butterfat, 3.61%; protein, 3.03%; and other solids 5.69%. On an individual reporting area basis, mailbox prices increased in all reporting areas except three, ranging from \$18.32 in Florida to \$13.71 in New Mexico. In September 2004, the Federal milk order all-area average mailbox price was \$15.37, \$0.21 higher.

**Mailbox prices for Idaho and Utah are being discontinued due to the termination of the Western Federal Order.

In accordance with the California Government Code and ADA requirements, this publication can be made available in an alternative format by contacting Karen Dapper at (916) 341-5988, by email at dairy@cdfa.ca.gov, or contacting TDD 1-800-735-0193.

Dairy Marketing Branch:
Phone (916) 341-5988; Fax (916) 341-6697
Website: www.cdfa.ca.gov/dairy
Email: dairy@cdfa.ca.gov

Milk Pricing Information:
Within California 1-800-503-3490
Outside California 1-916-442-MILK

The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

California Department of Food and Agriculture
A.G. Kawamura, Secretary
Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814



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